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Credit Reform
Summary of Changes for Case Study
Accounting for Direct Loans without Collateral

The following table includes revisions to transactions for the Accounting for Direct Loans without Collateral Case Study (dated July 26, 1999). These revisions should be used in conjunction with the original case study until the appropriate changes have been incorporated.

Direct Loans without Collateral Case Study Transaction Number and Description	Revised Transactions	Explanation
Year 1 7. The appropriation (permanent indefinite) warrant was received from the Treasury for the modification adjustment transfer discussed in the previous transaction. The appropriated funds were apportioned and allotted. The funds were applied to debt reduction.	Program Account No change to case study. Financing Account <u>Budgetary</u> No change to case study <u>Proprietary</u> 1010 Fund Balance with Treasury 150 1399 Allowance for Subsidy 150 7290 Other Losses – Mods 150 5790 Other Financing Sources 150 2510 Principal Pay to Treasury 150 1010 Fund Balance with Treasury 150 (Section III TC A144 and B120)	Updated October 23, 2000: To comply with the transactions in Section III of the Treasury Financial Manual (TFM) for the Standard General Ledger (SGL).

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<p>Year 1</p> <p>9. The agency entered into binding contracts for \$40,000 of direct loans. The OMB subsidy model indicated for this risk category that a 28% subsidy rate-23% for defaults, 7% for interest supplements, and –2% for subsidy recovery from fees-was required. The loan had not been disbursed as of year-end. Fees received with the loan application amounted to \$125.</p>	<p>Program Account</p> <p><u>Budgetary</u></p> <table> <tr> <td>4610 Allotments-Realized Resources</td><td>11,200</td><td></td></tr> <tr> <td>4801 Undelivered Orders - Obligations, Unpaid</td><td></td><td>11,200</td></tr> </table> <p><u>Proprietary</u></p> <p>2179 Contra Liability for Subsidy Payable to Financing Account 11,200</p> <p>2170 Subsidy Payable to Financing Account 11,200</p> <p>None</p> <p style="text-align: center;">(Section III TC A150)</p> <p>Financing Account</p> <p><u>Budgetary</u></p> <p>To record resources from fees and subsidy accrual</p> <table> <tr> <td>4261 Actual Collection of Business -Type Fees</td><td>125</td><td></td></tr> <tr> <td>4281 Actual Program Account Subsidy Receivable-Definite-Current</td><td>11,200</td><td></td></tr> <tr> <td>4221 Unfilled Customer Orders w/o Advance</td><td>11,200</td><td></td></tr> <tr> <td>4060 Anticipated Collections from Non-federal Sources</td><td></td><td>125</td></tr> <tr> <td>4070 Anticipated Collections from Federal Sources</td><td></td><td>11,200</td></tr> </table> <table> <tr> <td>4590 Apportionments-Unavailable</td><td>125</td><td></td></tr> <tr> <td>4610 Allotments-Realized Resources</td><td></td><td>125</td></tr> </table> <p>To record loan obligations</p> <table> <tr> <td>4610 Allotments-Realized Resources</td><td>40,000</td><td></td></tr> <tr> <td>4801 Undelivered Orders - Obligations, Unpaid</td><td></td><td>40,000</td></tr> </table>	4610 Allotments-Realized Resources	11,200		4801 Undelivered Orders - Obligations, Unpaid		11,200	4261 Actual Collection of Business -Type Fees	125		4281 Actual Program Account Subsidy Receivable-Definite-Current	11,200		4221 Unfilled Customer Orders w/o Advance	11,200		4060 Anticipated Collections from Non-federal Sources		125	4070 Anticipated Collections from Federal Sources		11,200	4590 Apportionments-Unavailable	125		4610 Allotments-Realized Resources		125	4610 Allotments-Realized Resources	40,000		4801 Undelivered Orders - Obligations, Unpaid		40,000	<p>Updated July 12, 2001:</p> <p>Suggested budgetary changes to comply with OMB Circular A-34 (dated November, 2000) Section 70.15 (Exhibit 70); “Include the subsidy cost payment obligated in the program account but not yet paid on line 3B2, <i>Spending authority from offsetting collections, Change in unfilled customer orders, Without advance from Federal sources...</i>”</p> <p>Entries were modified to reflect the receivable of subsidy.</p> <p>Suggested proprietary changes to align with general USSGL accounting guidance – proprietary payables aligning with expended authority (not undelivered orders) or proprietary payables aligning with expenses using future budgetary resources/not requiring budgetary resources.</p>
4610 Allotments-Realized Resources	11,200																																		
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9. Continued.	<p>Financing Account</p> <p><u>Proprietary</u></p> <p>To accrue subsidy due</p> <p>1310 Accounts Receivable 11,200</p> <p>2950 Liability for Subsidy Related to</p> <p>Undisbursed Loans 11,200</p> <p>To record receipt of fees</p> <p>1010 Fund Balance w/ Treasury 125</p> <p>2320 Deferred Credits 125</p> <p>(Section III TC C116, C208, A122, and B204)</p>	
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Direct Loans without Collateral Case Study Transaction Number and Description	Revised Transactions	Explanation
Year 1 C1. Record consolidation of actual net funded resources.	Program Account No change to case study. Financing Account <u>Budgetary</u> 4201 Total Actual Resources 105,125 4147 Actual Payments to Treas. 19,600 4125 Loan Mod Adj. Tran Approp. 150 4148 Res. Real for Borrowing Auth. 75,000 4261 Actual Collection of Business -Type Fees 425 4262 Actual Collection of Loan Prin. 19,600 4263 Actual Collection of Loan Interest 800 4271 Actual Program Fund Subsidy Collect - Definite – Current 27,000 4273 Interest Collected from Treasury 1,750 (Section III TC F204) <u>Proprietary</u> No change to case study.	Updated October 23, 2000: Removed the following entry in case study for transaction C1. This entry is now included in the case study for transaction C2 that closes out fiscal year borrowing authority. 4145 Borrowing Auth. Converted to Cash 75,000 4142 Borrowing Auth. Realized 75,000
Year 1 C2. To close out fiscal year borrowing authority.	Program Account No change to case study. Financing Account <u>Budgetary</u> 4149 Borrow Auth Carried Forward 27,225 4145 Borrow Auth Conv to Cash 75,000 4142 Borrow Auth. Realized 102,225 (Section III TC F208) <u>Proprietary</u> No change to case study.	Updated October 23, 2000: Modified entry to include the total amount of borrowing authority carried forward which includes the borrowing authority realized this year and the portion converted to cash. In the original case study, these entries were included in transaction C1.

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Direct Loans without Collateral Case Study Transaction Number and Description	Revised Transactions	Explanation
Year 2 20. The agency head allotted the full apportionment and paid the re-estimate subsidy to the financing account.	Program Account <u>Budgetary</u> No change to case study. <u>Proprietary</u> 6100 Operating Expense/Program Costs 1,600 1010 Fund Balance with Treasury 1,600 2170 Subsidy Pay to Financing Account 1,600 6800 Future Funded Expenses 1,600 3107 Unexpended Appropriation - Used 1,600 5700 Appropriations Used 1,600 (Section III TC B106, B324 and B134) Financing Account No change to case study.	Updated October 23, 2000: To comply with the transactions in Section III of the TFM for the SGL. Reverse account 6800 (Future Funded Expenses) at the beginning of the fiscal year and record account 6100 (Operating Expense/Program Costs).

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Direct Loans without Collateral Case Study Transaction Number and Description	Revised Transactions	Explanation
Year 2 24. The remaining direct loans obligated in Year 1 are disbursed and the accrued subsidy is paid to the financing account.	Program Account <u>Budgetary</u> 4801 Undelivered Orders – Obligations, Unpaid 11,200 4902 Delivered Orders – Obligations, Paid 11,200 <u>Proprietary</u> 6100 Operating Expense-Defaults 9,200 6100 Operating Expense-Interest Differential 2,800 6100 Operating Expense-Fees 800 2179 Contra Liability for Subsidy Payable to Financing Account 11,200 2170 Subsidy Payable to Financing Account 11,200 1010 Fund Balance w/ Treasury 11,200 3107 Unexpended Appropriations - Used 11,200 5700 Expended Appropriations 11,200 (Section III TC B105 and B134) Financing Account <u>Budgetary</u> 4801 Undelivered Orders - Obligations-Unpaid 40,000 4902 Delivered Orders – Obligations, Paid 40,000 4271 Actual Program Fund Subsidy Collected-Definite-Current 11,200 4281 Actual Program Fund Subsidy Receivable-Definite-Current 11,200 4221 Unfilled Customer Orders w/o Advance 11,200	Updated July 12, 2001: Suggested budgetary changes to comply with OMB Circular A-34 (dated November, 2000) Section 70.15 (Exhibit 70K); “Include the subsidy cost payment obligated in the program account but not yet paid on line 3B2, <i>Spending authority from offsetting collections, Change in unfilled customer orders, Without advance from Federal sources...</i> ” Entries were modified to reflect the receivable of subsidy. Suggested proprietary changes to align with general USSGL accounting guidance – proprietary payables aligning with expended authority (not undelivered orders) or proprietary payables aligning with expenses using future budgetary resources/not requiring budgetary resources.

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24. Continued	<p>Financing Account</p> <p><u>Proprietary</u></p> <p>1010 Fund Balance w/ Treasury 11,200</p> <p> 1399 Allowance for Subsidy 11,200</p> <p>Reverse the subsidy accrual</p> <p>2950 Liability for Subsidy Related to</p> <p> Undisbursed Loans 11,200</p> <p> 1310 Accounts Receivable 11,200</p> <p>Record fees as earned</p> <p>2320 Deferred Credits 125</p> <p> 1399 Allowance for Subsidy 125</p> <p>Disburse the direct loans</p> <p>1350 Loans Receivable 40,000</p> <p> 1010 Fund Balance w/ Treasury 40,000</p> <p style="text-align: center;">(Section III TC C126, C118 and C206)</p>	
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<p>Year 2</p> <p>30. The re-estimation process revealed that \$2,200 more in subsidy had been received than was needed, and that interest on the \$2,200 (at the cohort interest rate since the time of the last reestimate) amounted to \$700. At the time of re-estimates no budgetary entry is made, see OMB Circular A-34. Budgetary entries are only made when the resources become available through appropriation. No entry is made on the Program side proprietary accounts because this would cause double counting of the reestimate account. For discretionary programs and some mandatory programs, OMB uses the reestimate amount included in either the special fund or general fund receipt accounts to determine a program's Net Outlays. Most mandatory programs, record a collection in the Program account and therefore a separate adjustment in the program account would be incorrect.</p>	<p>Program Account</p> <p><u>Budgetary</u> No entry</p> <p><u>Proprietary</u> No entry</p> <table> <tr> <td>5799 Adjustment of Appropriations Used</td> <td>2,000</td> <td></td> </tr> <tr> <td>6199 Adjustment of Subsidy Expense</td> <td></td> <td>2,000</td> </tr> </table> <p>Financing Account</p> <p><u>Budgetary</u> No entry</p> <p><u>Proprietary</u></p> <table> <tr> <td>1399 Allow for Subsidy</td> <td>2,200</td> <td></td> </tr> <tr> <td>6330 Int Exp. Re-estimates</td> <td>700</td> <td></td> </tr> <tr> <td>2990 Other Liab. Reest. Interest</td> <td></td> <td>700</td> </tr> <tr> <td>2990 Other Liab. Reest. Principal</td> <td></td> <td>2,200</td> </tr> </table> <p>5730 Fin. Source Transferred Out</p> <p>w/o Reimbursement 1,000</p> <p>6199 Adjust to Subsidy Expense 1,000</p> <p>General Fund Receipt Account</p> <p><u>Budgetary</u> No entry</p> <p><u>Proprietary</u></p> <table> <tr> <td>1340 Interest Receivable</td> <td>700</td> <td></td> </tr> <tr> <td>1310 Accounts Receivable</td> <td>2,200</td> <td></td> </tr> <tr> <td>5720 Transfer In without Reim.</td> <td></td> <td>2,200</td> </tr> <tr> <td>5900 Other Revenue</td> <td></td> <td>2,200</td> </tr> </table>	5799 Adjustment of Appropriations Used	2,000		6199 Adjustment of Subsidy Expense		2,000	1399 Allow for Subsidy	2,200		6330 Int Exp. Re-estimates	700		2990 Other Liab. Reest. Interest		700	2990 Other Liab. Reest. Principal		2,200	1340 Interest Receivable	700		1310 Accounts Receivable	2,200		5720 Transfer In without Reim.		2,200	5900 Other Revenue		2,200	<p>Updated July 12, 2001:</p> <p>Amended transactions are similar to Option 1 discussed in the AAPC issue paper 98-CR-01. AAPC Issue papers can be found at the Credit Reform web page: www.fms.treas.gov/ussgl/creditreform</p>
5799 Adjustment of Appropriations Used	2,000																															
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Direct Loans without Collateral Case Study Transaction Number and Description	Revised Transactions	Explanation
Subsequent Year C1. Record consolidation of actual net funded resources.	<p>Program Account No change to case study.</p> <p>Financing Account <i>Budgetary</i> 4201 Total Actual Resources 86,325 4147 Actual Payments to Treas. 90,400 4148 Res. Real for Borrowing Auth. 35,000 4261 Actual Collection Business Type – Fees 10,500 4262 Actual Collection of Loan Prin. 81,175 4263 Actual Collection of Loan Interest 37,000 4271 Actual Prog. Fund Subsidy Collect - Definite – Current 11,200 4272 Act Prog Acct Sub Collect 1,600 4273 Interest Collected from Treasury 250</p> <p style="text-align: center;">(Section III TC F204)</p> <p><i>Proprietary</i> No change to case study.</p>	<p>Updated October 23, 2000: Removed the following entry in case study for transaction C1. This entry is now included in the case study for transaction C2 that closes out fiscal year borrowing authority.</p> <p>4145 Borrowing Auth. Converted to Cash 35,000 4142 Borrowing Auth. Realized 7,775 4149 Borrow Auth. Car. Forward 27,225</p>

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Direct Loans without Collateral Case Study Transaction Number and Description	Revised Transactions	Explanation
Subsequent Year C2. To close out fiscal year borrowing authority.	<p>Program Account No change to case study.</p> <p>Financing Account <i>Budgetary</i> 4145 Borrowing Auth. Converted to Cash 35,000 4142 Borrowing Auth. Realized 7,775 4149 Borrow Auth. Car. Forward 27,225 (Section III TC F208)</p> <p><i>Proprietary</i> No change to case study.</p>	<p>Updated October 23, 2000: Modified entry to include the total amount of borrowing authority carried forward which includes the borrowing authority realized this year and the portion converted to cash. In the original case study, these entries were included in transaction C1.</p>

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Subsequent Year C3. To close the revenue and expense accounts.	Program Account 6199 Adjustment to Subsidy Expense 2,200 5700 Expended Appropriations 13,200 6100 Oper Exp – Sub. Recovery – Fees 800 6100 Subsidy Exp. – Def 9,200 6100 Subsidy Exp. – Int. Supp 2,800 6100 Admin Exp. 400 3310 Cum Results of Oper 1,600 5799 Adjustment of Approp. Used 2,200 Financing Account 5310 Interest Revenue – Borr. 39,000 5310 Interest Revenue – Treas. 250 5310 Interest Revenue – Subsidy 6,450 6199 Adjustment of Sub. Exp. 2,200 5730 Fin Source Tran. Out w/o Reimb. 2,200 6310 Interest Exp. – Treas. 45,000 6330 Interest Exp. – Reest. 700	Updated July 12, 2001: Reflects changes made in transactions during the year.
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